

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.,

(Jointly Administered)

Debtors.¹

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NOTICE OF CORRESPONDENCE RECEIVED BY THE COURT

The Court has received and reviewed the attached correspondence, described below, from interested persons in the above-captioned cases. Although the Court cannot respond individually to all of those who have expressed their thoughts or concerns, the Court is deeply mindful of the impact of the fiscal crisis on lives, institutions, and expectations, and of the importance of the issues that are raised in these unprecedented cases.

1. Letters dated June 20, 2018 from Maria Mercedes Navia.
2. Letter dated June 22, 2018 from Eric Cohen.
3. Letter dated June 22, 2018 from Seema Balwada.
4. Letter dated June 29, 2018 from Stephen Mangiaracina.

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

5. Letter dated June 29, 2018 from Carlos Sumpter.
6. Letter dated July 7, 2018 from Berta Gonzalez.
7. Letter dated July 12, 2018 from Nanette Escobar.
8. Letter dated July 16, 2018 from Hiram Rodriguez
9. Letter dated July 17, 2018 from Carlos Sumpter.
10. Letter dated July 23, 2018 from Mark Elliot.

Dated: July 24, 2018

June 20, 2018

Judge Laura Taylor Swain
U.S. District Court for the District of Puerto Rico
Fed. Court of PR Office 150, Fed. Building
San Juan, Puerto Rico 00918

Dear Judge Swain,

I am a well-informed experienced municipal bond investor and own Subordinate COFINA, PREPA and G.O. bonds. It is very unsettling that the Commonwealth Agent has conceived a Tentative Agreement that disregards the Statutory Lien that secures subordinate COFINA bondholders, which is the same Lien that secures the Senior bondholders. I follow events in Puerto Rico closely, and receive Puerto Rico market updates at least weekly from my municipal bond broker. PROMESA's Title III debt restructuring fiasco taking place in the Territory of Puerto Rico along with the actions of the FOMB, are a disgrace to the ideals and standards of the 50 United States of America.

Congress has allowed Puerto Rico's self-proclaimed 3-year old bankruptcy to become a heinous 3 ring circus. The rings being the Puerto Rico Senate, Puerto Rico House and the FOMB. The ringmaster is Ricky Rosselló. The Clowns are the Commonwealth lawyers. The main attraction is a "White Elephant" called PROMESA. The spectators are disillusioned bondholders being tortured as they are forced to watch a tragedy unfold. The sideshows are the mediations that to date have only produced a scheme conceived by the Commonwealth Agent called a Tentative Agreement that if approved would be an abomination to PROMESA and the municipal bond market.

It is time for those in the media to report on the third world politics in Puerto Rico and expose the true crux of the Island's problems. **The reality is that various forms of corruption are so prevalent in Puerto Rico that dishonesty and fraudulent actions have become accepted as the way the Puerto Rico Government and the private sector do business.**

In the Commonwealth vs COFINA dispute a summary judgement ruling would resolve who owns the pledged Sales and Use Tax (SUT). A ruling could save millions in litigation expense, send a message to the government, the FOMB and the Municipal Bond Market that laws and liens must be respected. By delaying the ruling the Court has encouraged the Commonwealth to unveil its current scheme labeled a Tentative Agreement. The Tentative Agreement seems to be viewed by the Court as the foundation on which a final Agreement to the Commonwealth vs COFINA dispute can be built. The Agreement supports a market opinion that the Court would rule that the COFINA structure is legal and the Statutory Lien would likely be confirmed by the Court. However, the Tentative Agreement makes a portion of the pledged SUT funds available to the Commonwealth before completely honoring the Subordinate bondholder Statutory Lien. **In essence the Commonwealth is telling the Court... What difference does it make that the COFINA structure is legal and the Lien is valid and we previously told investors the pledged SUT is "Not Available" to us... We still want the Court to approve the Tentative Agreement that gives us 43% of the Subordinate bondholders money.** Your honor, the market realizes that you are trying to comply with "PROMESA" and reach consensual agreements. I have faith that no Agreement would be approved at the expense of the municipal bond market and in this case Subordinate COFINA bondholders.

The threat to COFINA Subordinate bondholders does not come from insolvency, COFINA is solvent, or the legality of the COFINA structure, which the Tentative Agreement wishes to maintain, the threat comes from a scheme conceived by a dishonest government.

The Tentative Agreement presented by the Commonwealth and Senior COFINA bondholders is a perfect example of the Commonwealth's lack of integrity. Prior to the Tentative Agreement market sentiment pointed to a Summary Judgement ruling favoring COFINA. Therefore, the Commonwealth had to act quickly or risk being

shutout of getting any of the pledged SUT. A Commonwealth that since 2006 told investors the pledged SUT revenue is **“Not Available”** to the Commonwealth. In essence what the Commonwealth appears to have done was to authorize its Agent to offer the Senior COFINA bondholders a deal, that to some may be viewed as a bribe. The Commonwealth Agent offered the Senior COFINA bondholders a Tentative Agreement that in principle would give the senior bondholders a 100% recovery, all back interest and principal, a First Priority Lien on future pledged SUT and a potential end to litigation. An offer no hedge fund could refuse. It would be in the best interest of the hedge funds’ shareholders for the hedge funds to get on board with the Commonwealth and let the unorganized Subordinate COFINA bondholders fend for themselves, which is exactly the objective of the Commonwealth’s scheme. The Commonwealth once again attempts to pit Senior and Subordinate COFINA bondholders at odds with each other.

When purchasing COFINA bonds, investors relied on “AA” and “A+” bond ratings, impressive credit reports, and the Commonwealth’s promise that the pledged revenue is **“Not Available”** to the Commonwealth. The fact that the Commonwealth has directed their Agent to fabricate a scheme to take back a large portion of the pledged SUT, is nothing less than unscrupulous. In most legal jurisdictions if a government borrowed over \$15 billion under false pretenses and refused to pay it back, it would be interpreted as wrongful deception intended to result in financial gain... Fraud.

The COFINA structure under any scenario is not in default or impaired in any way. It would be irrational for Subordinate bondholders to agree that the Senior COFINA bondholders under the Tentative Agreement can choose to receive a 100% recovery while they get less than 40% recovery, especially since there are adequate pledged funds available to pay both Seniors and Subs. It would also be unreasonable for anyone to agree that the Commonwealth should receive over 43% of the pledged SUT revenues at the expense of Subordinate bondholders. I believe the court realizes the Tentative Agreement in its current form is unlikely to be approved by all involved parties. However, by perpetuating the Commonwealth vs COFINA dispute the Court will open a legal can of worms that could change the municipal bond market forever.

The COFINA structure was created in 2006 to seduce reluctant investors, who were no longer willing to trust the corrupt Puerto Rico government, into investing in pledged Sale Tax revenues **“Not Available”** to a Puerto Rico government that lacked integrity.

Why Puerto Rico politicians were forced to create the COFINA structure has been lost in the Tentative Agreement. **The same reasons investors did not trust the Puerto Rico Government in 2006 are surfacing again, corruption, deception, dishonesty and lack of transparency.** Unfortunately, for the people of Puerto Rico the FOMB is allowing the dishonesty, incompetence and mismanagement to persist.

The Tentative Agreement treats COFINA Subordinate bondholders worse than an unsecured creditor. Unsecured GDB appropriation bonds are being restructured at 55 cents on the dollar. While secured Subordinate COFINA bondholders, are being offered around 40 cents. The Subordinate bondholders are secured by the same Act 91 and Statutory Lien as Senior COFINA bondholders. Four Puerto Rico governments confirmed that the pledged SUT is **“Not Available”** resources to the Commonwealth. Now the Commonwealth Agent and the COFINA Agent seem to have agreed in principal to ignore ACT 91 and the Statutory Lien and divide the pledged SUT funds as they see fit. There is no legal precedent that allows for COFINA Subordinate bondholders to no longer be secured by Act 91 and a Statutory Lien, especially since COFINA is not an insolvent entity. The Subordinated bondholders may be willing to take a reasonable haircut (10% to 15%) to become Senior bondholders. The proposed 60% haircut on a secured bond is outrageous.

The Court’s enthusiastic comment concerning the Tentative Agreement, **“This is an enormously significant development”** is worrisome for many municipal bond market professionals and investors. The comment is definitely not what Subordinate bondholders secured by a Statutory Lien wanted to hear. I am confident that the Court sees the Tentative Agreement as a starting point for a much more equitable final agreement.

What is most unbelievable about the whole Puerto Rico debt debacle is that the Commonwealth has yet to prove it is insolvent and that there even is a Puerto Rico financial crisis. There is little doubt among municipal bond market participants that if Puerto Rico had integrity it could pay both COFINA and G.O. bondholders. Should the Puerto Rico Government and FOMB make it a priority to enforce their laws and collect 85% of the SUT instead of around 65%, make realistic budget adjustments and address the government condoned underground economy estimated to be equal to 20% to 25% of the Island's \$100 billion GDP, Puerto Rico would easily be able to pay its entire debt. Obviously the Commonwealth and Board find it more beneficial politically to attack bondholders than strive to reform Puerto Rico.

The fact that Puerto Rico has accrued around \$9 billion in cash, approximately \$3 billion in liquidity and \$6 billion in various banks accounts, proves it can afford to pay bondholders... but is unwilling. Threatening bondholders with prolonged litigation by allotting \$1.5 billion in their Fiscal Plan for legal expenses over the next 5 years is a deplorable commitment of money owed to bondholders. The U.S. Government, FOMB and the Court are all making a big mistake allowing Puerto Rico to treat bondholders as the least important group they have to address. The fact that Puerto Rico is willing to spend \$1.5 billion in an effort to cheat bondholders out of what is legally owed to them is not a sign of a bankrupt government, it is a sign that Puerto Rico politicians and the FOMB lack integrity and could not care less about market access.

The Puerto Rico Government and FOMB act like they truly believe they can attract quality P3 partners and receive qualified interest in the PREPA Privatization while they treat all debt like it doesn't exist; they either have qualified parties on the sidelines interested in their very unique strategy or they are complete idiots not in touch with reality.

I have encouraged Puerto Rico bondholders I know to petition their Congressmen. The U.S. Congress could put an end to the suffering inflicted on the Puerto Rico people by a group of corrupt and elitist politicians. These so called populists have manipulated a susceptible population to believe they are victims of colonialism, which makes them second-class citizens and is the root of the Island's problems.

Puerto Rico bondholders must trust that the Court will see through the Commonwealth's devious maneuvers. The Commonwealth vs COFINA dispute is just another illustration of the lack of integrity consistently exhibited by most Puerto Rico politicians and the FOMB. The lack of transparency and integrity exhibited by Puerto Rico's rogue leaders is responsible for the anti-U.S. law attitude of the misled and ill-informed population.

The bottom line is for Puerto Rico to prosper the various forms of corruption prevalent on the Island must be addressed by a serious Oversight Board. Until an Oversight Board with values similar to the NYC and Washington DC Boards is in place, Puerto Rico will likely remain a welfare territory dependent on U.S. taxpayers.

Respectfully yours,

Maria Mercedes Navia

[REDACTED]

June 21, 2018

Judge Laura Taylor Swain
U.S. District Court for the District of Puerto Rico
Fed. Court of PR Office 150, Fed. Building
San Juan, Puerto Rico 00918

I'm writing this urgent letter to inform the court that I believe my constitutional rights as a creditor of Puerto Rico are being trampled upon.

The "Tentative Agreement", to resolve the Commonwealth-COFINA dispute, agreed upon in principle by both the Commonwealth Agent and Cofina Agent is insulting to anyone with background knowledge of the Commonwealth-COFINA dispute.

Both Agents were picked by the Oversight Board.
Clearly, the Cofina Agent, Bettina Whyte is not defending the Subordinate Cofina Bondholder.

The Cofina Agent should not allow a Municipal Bond issued by a solvent entity and secured by a statutory lien to be subject to a 60% loss of Principal.

As a holder of COFINA Subordinate bonds I feel the name Subordinate is a misnomer.
Per ACT 91 there are actually (2) classes that are Subordinate to the COFINA Bondholders.

- 1) Senior Cofina bondholders (Cofina Trustee)
- 2) Junior Cofina Bondholders (Cofina Trustee)
- 3) The General Fund
- 4) Municipal Administration Fund

The year prior to the Hurricane, the Commonwealth collected about \$2.5 billion in SUT Revenue. The Annual Debt service to meet both principal and interest payments on both Senior and Subordinate bonds was approximately \$700 million. There was a surplus after satisfying Cofina Debt Service of about \$1.8 billion that was divided accordingly between the General Fund and the Municipalities.

No one can argue that COFINA is insolvent.
COFINA is a Solvent Entity. There is no legitimate reason for secured Subordinate bondholders to accept a 60% haircut.

The Cofina Subordinate bond I bought years ago was A + rated by S&P. The Senior Cofina bond at that time had been upgraded to AA while the GO rating was BBB. It's incredible that the parties involved want to maintain the COFINA Bond Resolution and Structure but not respect the lien that secures the Subordinate bondholder.

The only way the Commonwealth was able to access the market in 2006 was to assure investors corrupt Puerto Rico politicians could not get their hands on the Pledged SUT revenue until all Cofina bondholders got paid in full.

I lent the commonwealth money at a preferred rate because of the mechanism and security the COFINA structure provided. The COFINA bond was Puerto Rico's rescue bond in 2006. The Commonwealth created and passed ACT 91 to pledge the SUT revenue as property to secure the payment of principal and interest on all Cofina bonds. The commonwealth took in billions of dollars and the structure worked for over a decade and continues to work today. The Commonwealth and the Government Development Bank promoted and sold this structure to investors, predominately retail investors, both on the island and the mainland. They marketed Cofina as being Safe from the antics of dishonest Puerto Rico politicians. The Official Statement (Prospectus) clearly states the SUT revenue pledged to Cofina bondholders is NOT AN AVAILABLE RESOURCE TO THE COMMONWEALTH. The Commonwealth obviously misled Retail Investors and is Guilty of the Textbook Definition of Fraud.

I've highlighted excerpts from the official Statement.

- 1) Creation of Law 91
- 2) Pledges Sales Tax Base Amount
- 3) Debt Service Maturity schedule
- 4) Flow of funds chart
- 5) Not Available resource.

In May of 2016, The United State Congress with bipartisan support passed PROMESA which allowed a solvent entity like COFINA to be included in a Quasi-Bankruptcy proceeding. No one can believe that Congress enacted PROMESA so that the Commonwealth of Puerto Rico could go ahead and break liens at will and raid COFINA's Lock Box.

Many have the opinion the Commonwealth is NOT insolvent. They currently have \$9.0 billion in funds including \$2.9 billion in liquidity. The Commonwealth couldn't even meet the guidelines from the US Treasury to obtain the CDL loans because they have too much liquidity. Treasury Secretary Mnuchin told Rosello in order to receive CDL loans liquidity must go down to \$1.1 billion. At that time liquidity was 1.3 billion. Today it's \$2.9 billion in spite of the Government's spending spree.

Again, the Commonwealth appears solvent enough to pay the debt service on its GO Bond. There is no reason to be even talking about haircuts to Cofina bondholders. Cofina is a solvent entity and its bonds are secured by a statutory lien. The Commonwealth has \$3.0 billion in liquidity which does NOT include any of Cofina's Pledged SUT revenue.

In fact, COFINA was designed so that Cofina bondholders would have nothing to do with the solvency or insolvency of the Commonwealth.

Now comes a tentative agreement where the Commonwealth, for no legitimate reason, believes it's entitled to 60% of the Pledged Sales Tax to pay Subordinate bondholders. The commonwealth has offered Senior bondholders an opportunity to recover 100% leaving 40% recovery for Subordinate Bondholders. The Senior bondholders can't turn down such an opportunity. The Commonwealth's offer to the Senior bondholders reflects the legitimacy of the Cofina Structure and the Statutory Lien, which also covers the Subordinate bondholders.

The Commonwealth of Puerto Rico by ACT 91 is NOT entitled to any of the Pledged Sales Tax Base Amount.

The Commonwealth had one year in Title VI and one year in Title III to resolve the Commonwealth- Cofina dispute. After two years their offer of 40% recovery is a a mockery to the Rule of Law and Municipal Bond Market Precedent.

Judge Swain,

- 1) You narrowed the scope to, Who owns the SUT revenue.
- 2) You told the lawyers do not prepare for a trial on April 10th 2018.
- 3) You expressed your concern to the amount of legal fees this process has already accumulated. Yet the Puerto Rico Government and the FOMB have allocated \$1.5 billion for legal expenses in their current Fiscal Plan to threaten bondholders.
- 4) You said a fiscal plan and plan of adjustment could not be finalized until the Commonwealth-Cofina dispute is resolved.
- 5) You ruled against sending this case to the Puerto Rico Supreme Court
- 6) You said The "Tentative Agreement" was an enormous significant development.

Then you give them sixty days and more if necessary to finalize a Tentative Agreement that in principal gives me a 60% haircut. I trust you believe any Agreement presented to the Court will be more equitable.

In my opinion, both Senior and Subordinate Cofina bonds are not impaired and should continue paying debt service not unlike Detroit Water and Sewer. However, I would accept a small haircut from \$100 to receive a Senior Bond in a debt exchange.

My opinion of a reasonable settlement is Senior \$95-\$100 and Subordinates \$80-\$85 based on a Subordinate to Senior debt exchange.

A 20% haircut on \$9.7 billion Subordinate bonds is a savings of at least \$1.8 billion in principal and \$100 million in annual debt service over 40 years that equates to around \$6.0 billion in savings.

Then, by reducing the average rate of interest by 20% the Commonwealth can save another \$200 million in annual debt service, which equates to another \$4 billion after 40 years.

Combined, that's a reduction in debt service in the neighborhood of \$10 billion over 40 years.

Again, the Commonwealth either defrauded me when I bought the bonds or they are attempting to defraud me now. They have disregarded the very law they enacted and the often used statement that the Pledged SUT is NOT Available to the Commonwealth..

Please post my letter so that the Unorganized Subordinate Cofina Bondholders can become aware of the lengths the Commonwealth is willing to go to defraud our rights, which include ignoring the "Takings Clause" and "Contract Law" protection afforded us by the US Constitution.

Please post my letter so when it's time to VOTE on a Restructuring Agreement, Subordinate Cofina Bondholders will know the value of their bonds is much greater than the current Tentative Agreement offering of 40 cents on the dollar.

Please post my letter so that other Subordinate Cofina bondholders know that the COFINA Agent Bettina Whyte is not protecting the interests of all Cofina bondholders.

Please post my letter so that other Municipal Bond Investors realize that PROMESA, which states bondholder liens must be respected, is not being followed by Puerto Rico.

Only you Judge Swain can prevent potential chaos in the Municipal Bond Market by upholding the Rule of Law and Respecting the Priority of Liens required by PROMESA .

The timing of the Tentative Agreement, just prior to an anticipated ruling expected to be favorable to COFINA bondholders, makes the agreement conceived by the Commonwealth suspect. The flawed Tentative Agreement just may be another delaying tactic.

Respectfully,

Eric R. Cohen

June 22, 2018

Seema Balwada, CFA

Judge Laura Taylor Swain
U.S. District Court for the District of Puerto Rico
Fed. Court of PR Office 150, Fed. Building
San Juan, Puerto Rico 00918

CC: The Bank of New York Mellon
Attn: Mr. Alex Chang
101 Barclay Street, New York, NY 10286

CC: Reed Smith LLP
Attn: Mr. Eric A. Schaffer
225 Fifth Avenue, Suite 1200, Pittsburgh, PA 15222

CC: COFINA Agent
Attn: Ms. Bettina M. Whyte
Counsel: Willkie Farr & Gallagher, LLP

**INVESTOR APPEAL: PLEASE DO NOT ALLOW AN INEQUITABLE PROPOSED
SETTLEMENT TO STALL SUMMARY JUDGEMENT**

Dear Judge Swain,

The narrow question of who owns Puerto Rico sales and use tax pledged to COFINA bondholders was put before the court for summary judgement by all parties litigating the Commonwealth-COFINA Dispute. After a grueling schedule of hearings and briefings, facts and figures supporting a lien ruling appear to have been put to rest so that a few parties can advance a selected agenda.

An 'In-Principle' tentative agreement dated June 7, 2018 ("Proposed Settlement") between the Commonwealth Agent and COFINA Agent raises questions on equitable treatment of COFINA's Subordinate bondholders. The Court's suspension of summary judgement for at least 60 days stalls the expedited resolution of the gating Commonwealth-COFINA dispute.

Per the Proposed Settlement, the COFINA Agent and the Commonwealth Agent "agree to **SHARE** the **statutory Pledged** Sales Tax Base Amount": 53.65% of first dollars of the SUT going to COFINA and the remainder 46.35% to the Commonwealth. This could amount to a 100% recovery with a 1.25x debt service coverage on outstanding COFINA Senior Bonds and a meager 40% recovery for COFINA Subordinate Bonds.

The Proposed Settlement reveals that the COFINA Agent, appointed by the Oversight Board, is compromising the property, contract and due process rights of COFINA Subordinate Bondholders. COFINA Subordinate Bondholders' interests are not being fairly represented in Puerto Rico's Title III debt restructuring. The Proposed Settlement violates the spirit and intent of the August 10, 2017 Stipulation which seeks to prevent Agents from modifying creditors' legal and contractual rights and interests in property unilaterally.

"Before the Agents negotiate away others' interests in property, the Commonwealth-COFINA Stipulation and due process demand that such beneficial holders have adequate notice and an opportunity to be heard," COFINA Bond Trustee Bank of New York Mellon added that a large percentage of beneficial holders is not a party to the ongoing Commonwealth-COFINA Dispute or Puerto Rico's Title III bankruptcy. "Non-party beneficial holders have not received adequate notice of the Proposed Settlement among the Agents," Bank of New York informed the federal court.

The Proposed Settlement is disturbing because it exemplifies how large public institutions with hefty legal teams barter away the rights of household investors. Households own \$1.57 trillion or 41% of the \$3.9 trillion municipal bond market directly through retail brokerage accounts. Direct holdings of tax-exempt municipal bonds allows households to access broker advice, research and eliminates recurring fund management fees. Despite being the largest owners of municipal bonds, household interests' are barely represented in the largest ever municipal bankruptcy.

COFINA Subordinate Bondholders are dominantly Household bond investors: they have no voice in the Proposed Settlement signed by the COFINA Agent to represent the unilateral interests of institutionally held COFINA Senior Bonds. Household investors are traditional 'buy and hold' investors, not speculators looking for quick gains. Household investors are Main Streets' savers, Islanders and pensioners who rely on bond indentures and contracts taking considered risks to meet financial goals. Households can least afford the harsh terms of the Proposed Settlement. It is easy for the vested interests of large institutions who own COFINA Senior Bonds to ignore the unorganized household investors who own COFINA Subordinate Bonds.

It would be a myth to think that COFINA Subordinate Bonds are held by Wall Street institutions or hedge funds or bond insurers. Household municipal bond investors are the largest holders of COFINA Subordinate Bonds. Institutional holders of less than \$2 billion COFINA Subordinate Bonds or 20% of outstanding COFINA Subordinate Bonds have COFINA Subordinate positions exceeding COFINA Senior positions. Institutions hold only \$2.6 billion or 27% of \$9.72 billion COFINA Subordinate Bonds outstanding. In contrast, \$5 billion or 66% of \$7.58 billion outstanding COFINA Senior Bonds are institutionally held. Large hedge funds' and bond insurers' COFINA Senior Bond positions dominate COFINA Subordinate positions. That is the reason why COFINA Senior Bonds are well represented in Puerto Rico's Title III bankruptcy. Due to lack of institutional holding, there is hardly any way to organize an effective COFINA Subordinate Creditor group. It is not surprising that not a single institution has come forward to represent the interests of COFINA Subordinate Bondholders in the Proposed Settlement.

As both a household bond investor and a Chartered Financial Analyst, I was taken aback when I learnt that under court led confidential mediation the COFINA Agent has signed up for a deal that barter away COFINA Subordinate bondholders' interests to the Commonwealth and favors COFINA Senior Bondholders disproportionately. In Court, where the fate of COFINA bondholders is to be decided, we see the legal might of COFINA Senior Bondholders day in and day out. It is commendable that COFINA Senior Bondholders have brought statutory bondholders rights front and center in advance of a summary judgement ruling. Unfortunately, valuable legal facts developed during the extensive summary judgement hearings have been displaced by the Proposed Settlement 'agreement to SHARE Pledged Sales Tax Base Amount'.

At the outset, investors were encouraged to learn about court-led confidential mediations occurring in-tandem with summary judgement appeals. However, investor confidence in court-led confidential mediations took a downturn after the one-sided Proposed Settlement which asks COFINA Subordinate Bondholders for a 60% discount in contrast to full recovery for COFINA Senior bonds. The Proposed Settlement is an attempt to blur the distinction between an issuer's secured and unsecured obligations: the Agents had no qualms about grabbing value from secured bondholders not able to muster the organizational presence to speak up for property rights.

Bond investors could not comprehend your comment, "I am pleased with the settlement agreement...It is an enormous significant development," reported by Reuters. The Court's abeyance of summary judgement by at least 60 days is disconcerting to the municipal bond market anticipating a federal court lien ruling and expedited resolution.

As the court-appointed representative of COFINA, does the COFINA Agent have a fiduciary duty and to whom? Broadly, COFINA issued two types of bonds: Senior Bonds and Subordinate Bonds; Subordinate Bonds carry higher interest rates and have a lien priority subordinate to Senior Bonds. Both Senior and Subordinate Bonds are secured by pledged sales tax without any recourse to other assets. Issued under the same COFINA Bond Resolution, COFINA Subordinate Bond issuance outnumbers COFINA Senior Bond issuance. The COFINA Agent and COFINA Bond Trustee must preserve the integrity of the COFINA Bond Resolution and ensure that covenants and agreements are enforced 'for the equal benefit, protection and security' of ALL bondholders: such a mandate would be consistent with COFINA's role as the Island's conduit for capital.

Judge Swain, a lien ruling from your court could stem the adverse impact to the \$3.9 trillion municipal bond market. Last month, Fitch ratings downgraded \$2.5 billion of Illinois' sales tax secured bonds by five steps, dropping them closer to the state's unsecured general obligation rating. It may not be the last ratings cut for state and local government bonds backed by a dedicated revenue pledge. S&P is currently reviewing its method for rating priority lien bonds. Such moves augur higher capital costs for building the nations' schools, bridges and hospitals. Under the auspices of the federal court, the delaying tactics of the Agents including the one-sided Proposed Settlement is testing the municipal bond market – an important capital avenue for states and local governments.

Judge Swain, investors appreciate that 'give and take' is necessary for consensus which carries immense value for Puerto Rico's speedy recovery. However, any consensus through court-led mediation should not penalize secured bondholders disproportionately and violate statutory rights of property, contract and due process of those unable to afford legal representation. Although, the Proposed Settlement may never come to fruition, I urge the federal court to not delay summary judgement on account of a one-sided unilateral agreement.

Your Honor, COFINA Subordinate Bondholders do not have the ability to participate in the court proceedings. I trust, both the Bond Trustee and the Federal court will not overlook the interests of the COFINA Subordinate Bondholders in confidential court-led mediations.

I urge the COFINA Bond Trustee to prevent the Proposed Settlement's attack on the subordinate lien granted to COFINA Subordinate Bondholders.

Judge Swain, the \$3.9 trillion municipal bond market is looking to you for affirming the value of statutory liens.

Sincerely,

Seema Balwada, CFA

[REDACTED]



Territory of Puerto Rico Bankruptcy

to: swaindprcorresp
Cc: [REDACTED]

06/27/2018 09:23 AM

From: [REDACTED]

To: swaindprcorresp@nysd.uscourts.gov

Cc: [REDACTED]

Sent Via Email & Overnight Delivery

Hon. Laura Taylor Swain
U.S. District Court S.D.N.Y.
500 Pearl Street
New York, N.Y. 10007

Dear Judge Swain:

My name is Stephen T. Mangiaracina. I recently sent you emails on behalf of my family regarding the above on June 15, 2018 and May 17, 2018. Please see below.

The sales tax secured bond holders are not creditors of the Commonwealth of Puerto Rico which is in bankruptcy. Our bonds were not purchased from, nor secured by the full faith and credit of the Commonwealth. The Commonwealth has not defaulted on any obligations it owes us, since it has none.

Sales tax bond holders are secured creditors of Cofina, established as an independent corporation by the Commonwealth government. It is made independent, free of any control by the Commonwealth, because there would have been no market for its bonds otherwise.

The Cofina bond trustee has been ready, willing and able to continue to meet all its obligations to all its sales tax bond holders. The stay imposed by the Court is not a default. If Cofina did default, we sales tax bond holders could not claim recourse against the Commonwealth.

Unless the Court were to first find in the motion papers for summary judgment before it on April 10, 2018, that the establishment of Cofina and its commitments to its bondholders are invalid, any settlement regarding Commonwealth creditors, cannot include Cofina. Although its very existence is being challenged, it is not part of the bankruptcy. Since Cofina is not in default, its bond holders have no claim against it.

Arguments for both sides of the issue have been fully briefed and submitted to the Court on April 10, 2018 for decision. It is one thing for the Court requiring sufficient time to render a decision on a matter submitted to it over two months ago. It is quite another for those seeking the demise of Cofina to request a delay in the publication of a decision. This would be to the detriment of the sales tax bond holders such as my family who have already missed two bond payments due to the stay and another payment is due August 1st.

Settlement efforts regarding the many creditors of the Commonwealth are not the issue. Cofina and its sales tax bond holders just do not belong in them.

I called and spoke with someone at Willkie Farr. I was told a settlement had been reached and not to expect anything to happen until sometime in September when I will be given an opportunity to object to any settlement then. When I asked if the Court was informed, the reply was the Court said something like "This sounds monumental".

I am hoping this was the Court simply making an innocuous tongue in cheek comment and will think this out. Yet, it is troubling that those having clout, compared to others who do not, have ready easy access to the Court and accommodation. It challenges one's faith in the fairness of the judicial process.

If this is true, how can this Court justify holding off on publishing a decision, as soon as reasonably possible, with the stay still in effect?

The efforts of those seeking "settlement" would result in the taking of property belonging to others and having it anointed by judicial process. This is hubris at its best. What plot would they hatch to have the Court gain jurisdiction over thousands of sales tax bond holders?

It is my understanding that the Cofina trustee will receive a sales tax money delivery shortly for the

benefit of Cofina sales tax bond holders. How long will we be in a state of uncertainty as to whether Cofina will be permitted to pay its bond obligations, including the next one due August 1st.

Sales tax bond holders, particularly retirees including Puerto Rico residents, have suffered so much already. Financial distress grows greater by the day, while the position of those trying to avoid a decision gets brighter each day the stay remains in effect.

It would be unconscionable to expose sales tax bond holders, under financial duress, to these settlement predators. If the stay were removed and all back interest paid, these settlement machinations would die forthwith.

The equitable remedy of a stay never should have happened. At the time it was sought there was no one acting, on behalf of the Cofina sales tax bond holders, to oppose the request with the clout to match that of those seeking it. If briefs, of the quality of those submitted to the Court on April 10, 2018, arguing for the validity of Cofina's existence, were before this Court in opposition to the stay, I suggest the Court would not have granted it.

Those seeking the stay would have had an insurmountable burden to overcome. For over 10 years, no one including the Commonwealth, ever challenged Cofina's existence, its bond issues and sale of bonds, and timely payments by the Cofina trustee of interest to its bond holders. Issues and points of law would have been presented to the Court such as the unlikelihood of success of the claim against Cofina's existence, laches, bond buyer reliance and the irreparable harm to them, estoppel, etc. in opposition to the stay being granted.

I respectfully ask the Court to render its decision and remove the stay sua sponte. Thank you.

Stephen T. Mangiaracina

A black rectangular redaction box covering the signature and any handwritten notes or dates that might have been present.



POMTEKIN VILLAGE

Carlos Sumpter

to:

06/29/2018 03:46 PM

From:

PUERTO RICO ADMISSION ACT - A POTEMKIN VILLAGE ACT

- In politics a Potemkin village is any construction literal or figurative - built solely to deceive others into thinking that a situation is better than it really is -
- This is what they are doing with this bill -
- They are giving false hope to real statehood believers - Why? the length of our recovery process is much longer than the length of their political careers -
- Bishop is President's Trump legislative partner - he will soon retire - has to sponsor it - be close to it - in order to monitor it -
- President Trump is really tired of child play with Gov. Rosello - he is doing business with JGO instead -
- Back in September of 2017 - a few days before hurricane María - I flew into DCA and visited Puerto Rico's Residents Commissioner Office - with the following suggestion - Build a decolonization plan for Puerto Rico - bring something to the table -
- My intention - to teach her a cultural aspect of dealing with a businessman turned into President -
- Having a plan makes sense -
- Why ? - in power first they plan and then they execute - you just have to ask for a seat at the table - and make sure that your plan is compatible with the Head of State agenda -
- President Trump just finished his Republican party power grab - changing the party forever by adding to its foundation a larger base of both wealthy and poor uneducated Americans -
- Those wishing to claim back their Republic and go back to their post WW2 concept of white America first -
- This is why I am certain that they won't give us statehood -
- They will keep us on a short leash through federal funding - giving us what we need not what we want -
- As they keep on holding their wallets tight - acting slow enough - to delay any real opportunity of a Puerto Rican statehood endeavor -
- As now statehood - remains unachievable -
- We continue to hide the truth from our people back in the island - how American people really think about Puerto Rico is important - not knowing is impeding success in American politics -
- Yes if we want to be a State - we will have to act in compliance with American politics -
- In order to achieve a vibrant economy under a financial servitude from those too big to fail -
- True statehood leaders will have to come to Washington DC - act politically on FOX news - so POTUS could pay attention - and see if he can use it in his reelection favor -

- Is kind of the opposite approach of what Carmen Yulin did when she became the female latino pro LGBTTT mouthpiece for the liberal anti Trump media -
 - We need an antagonist in order to neutralize her strategy -
 - This will create damage control with the WHO -
 - This damage needs to be fixed -
 - If the American people sees it on TV they will believe it -
 - This pro statehood political actor will have to speak in American english - understand the levels of his audience and adapt to a simple public - in order to convince taxpayers about paying more taxes to include us as a new state -
 - All this as we bring to the table a billionaire debt load - after a category 4 hurricane devastation
 - under a FEMA Region 2 and USACOE administration - with a newly appointed Congressional PROMESA - FOMB - while being supervised by those enjoying the benefits of Act 20 - who will also have much to say - knowing that the American taxpayers already absorbed the losess of our AAA - ponzi scheme bonds - causing many todo loose their pensions and life savings -
 - As we have no credibility with Washington - our only reliable source of funding - due to our incapacity to treat federal funds correctly -
 - Why would President Trump will allow statehood ?
 - Doesn't goes against his MAGA philosophy ?
- Didn't he complaint about the cost of our recovery ?
- If President Trump and Senator Bishop are party allies - then this bill is just a Pomtekin Village - Carlos Sumpter
-

July 2, 2018

Honorable Judge Laura Taylor Swain
United States Courthouse
300 Recinto Sur Street
San Juan, Puerto Rico 00901

RECEIVED AND FILED - MAIL

USBC '18 JUL 9 AM 10:10

Honorable Judge Taylor Swain:

I hope that I can let myself understand in this letter. I have been a School Social Worker in the Department of Education for 22 years. I also have been a teacher in the Elementary School level for 4 years in the same Department.


The situation with teachers and docents in the Department of Education is terrible! Our salaries were low (worse than in the states) and they say that they are going to be cuts up to 25% or more. Our situation is different from the rest of the public employees because we only have our retire benefits. We don't receive SOCIAL SECURITY BENEFITS. therefore, we are not in the same situations like the rest of the public employees.

Page 1

This is not fair. I don't have MEDICARE. I have to pay a private medical insurance (TRIPLES) that cost me from my retire in almost \$400.00 a month. I don't know how I'm going to make it if they make me a deduction. I hope I will never get a drastic disease, otherwise I will not be able to pay for it.

Thank you for your attention in this matter.

Cordially,
Berta G. Gonzalez





Re: Swain DPR Correspondence Email

nanette escobar to: SwainDPRCorresp

07/12/2018 02:29 PM

From:

To:

SwainDPRCorresp@nysd.uscourts.gov

Hola David mi nombre es Nanette Escobar soy de Caguas, PR actualmente resido desde hacen 6 año en el estado de Tennessee disculpa que te escriba en español, pero mi inglés aún no es bueno en la escritura se que encontrarás a alguien que te lo traduzca. Bueno aunque no resido en mi bella isla me preocupa cada día más lo que pasa y se que usted nos tomo mucho cariño y le agradezco grandementeeeeey de corazón ♥ todo lo que ha estado haciendo sobre todo llevándola cruda realidad que se está viviendo a la tv y su web page. Por este medio le pidió que se que podemos hacer más sólo si la deuda pública es auditada ya que de no hacerlo el dinero que EU y otra tantas entidades han aportado ha la isla no han sido utilizado como es debido ya que lo asignan para algunas cosas en expesificas y las misma administraciones lo mal gastan. Entiendo que tengo derecho como hija puertorriqueña que soy aún viviendo fuera como le comenté puedo expresar mi sentir y sufrimiento por mi isla y que mejor que con ustedes. Es por eso que quisiera se abriera una campaña donde se obligue a auditar al país entero ya que es la única manera que existe para ver por qué tubo o a qué wallets y de que personas se está yendo el dinero que mi isla recibe y sin que me quede nada por dentro la llamada junta fiscal no han resuelto nada y ya llevan alrededor de dos años proponiendo tonterías que muchas de ellas no tienen nada que ver con el dinero que se necesita colectar para pagar. Alguien debe ya tomar cartas a este asunto pues el Gobernador Sr. Rosselló le tocó a su corta edad asumir todo esto sumando además el azote del huracán Maria del cual toda la estrategia para ayudar aunque con buenas intenciones de alguno no sirvió ya que la desorganización que hubo pues muchos querían mandar. En mi opinión personal era más fácil llevar una campaña de adopta un pueblo ya que muchos artistas y no artistas se desbordaron ayudando al país que muchas de esas ayudas no se sabe aún que pasó y otros ni la recibieron. Entiendo que la deuda debe ser auditada inmediatamente y debería serlo hasta la fecha de hoy, pues cada vez es más un circo lo que pasa y nosotros los puertorriqueños en especial los que viven en la isla siguen sufriendo aunque muchos siguen viviendo de apariencias y te lo digo yo que soy boricua y muchas veces nos ponemos vendas en los ojos a ver cuanto y quien resuelve nuestro problema. Pero le digo más con el show de hoy de AEE eso me molesto tanto pues es tan bochornoso como mi país en lugar de hacer y levantarse con amor a la patria y al prójimo cada cual quiere solo sus propios intereses y ya PR no queda más para repartir pues lo han despilfarrado todo y ya no hay más ayuda. La auditoría es lo que nos puede salvar ya que en la política hay mucha gente con muchos intereses y la corruption a sido horrible por años y lo sigue siendo, es muy lamentable. Disculpe mi atrevimiento pero ya uno no confía en nadie y ustedes puede seguir haciendo la diferencia por nosotros ya que es un hijo más de PR al haber ayudado tanto la isla se ha ganado el corazón de la gran mayoría o quisas la isla entera. Gracias por su interés en siempre decir la verdad aún así la misma nos duela y nos deje mal parados ante otros países pero es una realidad que no la podemos tapar, gracias, graciasssss y que Dios lo continúe bendiciendo una admiradora más ☐☐
☐ from my iPhone

On Jul 12, 2018, at 2:23 PM, SwainDPRCorresp@nysd.uscourts.gov wrote:
Please help us ☐☐ is to much for pain in my island.

July 16, 2018

This letter was translated by the google translator because unfortunately it is not English.

Hiram Rodriguez

This letter is exclusively For

Hon: Laura Taylor Swain

Greetings: Honorable judge The purpose of this letter is to tell you that because there is not a certified budget almost a thousand irregular employees who work under contract by law 52 of Department of work we are unable to start working our contract ended on June 30, 2018 and we were supposed to start the first of July with the consequences this brings as not being able to pay our obligations in my case to pay the rent of my home I do not have Family members who can help me I am a person with disabilities. This number of employees is only by this law of Development and work not all irregular employees of the government that can be thousands. So I ask you to certify the budget I consider that the PAC has the authority to establish a budget, that is, the amount but not how the budget is distributed among the different agencies and agencies that corresponds to the elected government. is the one that knows the budget needs of each agency, the Board in this aspect does not fully understand the needs of each agency and does not care if some agencies fall short of cash and have to lay off employees and this is exactly what has come out to show that in the way that the Junta (promise) makes the distribution of the budget some units would be inoperative having to lay off many employees destroying those innocent families and the battered economy of the island. In addition, they would take away acquired rights and vital benefits that the employees of Puerto Rico have, and I voted for a government to make these decisions. This violates the very essence of the democracy of the United States, the nation of which I am proud to belong. I urge you to approve the budget urgently as soon as possible so that these thousands of employees can return to their work and whatever the budget approved by the government or the board I beg for the good of the humble families of Puerto Rico so before exposed that it is the elected government that makes the distribution of the budget to the different agencies and dependencies of the government of Puerto Rico otherwise it would be devastating for many families that would have to leave the country and it would be worse for the economy and the recovery of the country . Mrs. Swain the fate and perhaps the very life of many people and families is in your hands God give you wisdom to make the decision that benefits the country. Thank you for taking the time to read this humble letter from someone in great need. Blessings.

Att.

Hiram Rodriguez



16 de julio de 2018

Hiram Rodriguez

Esta carta es exclusivamente

Para: Hon. Laura Taylor Swain

Saludos: Honorable jueza el propósito de esta carta es para decirle que por no haber un presupuesto certificado casi mil empleados irregulares que trabajamos por contrato por la ley 52 del Departamento del trabajo estamos sin poder empezar a trabajar nuestro contrato termino el 30 de junio 2018 y se suponía que empezáramos el primero de julio con las consecuencias que esto trae como no poder pagar nuestras obligaciones en mi caso poder pagar la renta de mi hogar no tengo familiares que me puedan ayudar soy una persona con impedimentos. Esta cantidad de empleados es solamente por esta ley de Fomento y trabajo no todos los empleados irregulares del gobierno que pueden ser miles. Por lo que le ruego que certifique el presupuesto yo considero que la Junta de control fiscal promesa tiene la autoridad de establecer un presupuesto o sea la cantidad pero no como se reparte el presupuesto entre las diferentes dependencias y agencias eso le corresponde al gobierno electo ya que es el que conoce las necesidades de presupuesto de cada agencia la Junta en este aspecto no conoce a fondo las necesidades de cada agencia y tampoco le importa si unas dependencias se quedan cortos de efectivo y tienen que despedir empleados y justamente esto es lo que ha salido a relucir que de la forma que la Junta (promesa) hace la repartición del presupuesto algunas dependencias quedarían inoperantes teniendo que despedir muchos empleados destruyendo a esas inocentes familias y la maltrecha economía de la isla. Además quitarían derechos adquiridos y

unos beneficios vitales que tienen los empleados de Puerto rico yo voté por un gobierno para que tomara estas decisiones esto viola la esencia misma de la democracia de los Estados Unidos la nación de la cual me siento orgulloso de pertenecer por favor le ruego que apruebe el presupuesto urgentemente lo antes posible para que estos miles de empleados puedan volver a su trabajo y sea cual sea el presupuesto que apruebe el del gobierno o el de la junta le ruego por el bien de las familias humildes de Puerto Rico por lo antes expuesto que sea el gobierno electo el que haga la repartición del presupuesto a las diferentes agencias y dependencias del gobierno de Puerto Rico de lo contrario sería devastador para muchas familias que tendrían que salir del país y sería peor para la economía y la recuperación del país. Sra Swain el destino y tal vez la vida misma de muchas personas y familias está en sus manos Dios le dé sabiduría para tomar la decisión que beneficie al país. Muchas Gracias por tomarse el tiempo para leer esta humilde carta de alguien que tiene mucha necesidad. Bendiciones.

Att. Hiram Rody



Justice

Carlos Sumpter

to: swaindprcorresp

07/17/2018 07:40 AM

From:

To:

swaindprcorresp@nysd.uscourts.gov

"The Righteous One knows what is going on in the homes of the wicked;
he will bring disaster on them."

(Proverbs 21:12)

Your Honor:

Peace be with you Madam in Jesus our Lord and Savior.

Who placed us in financial servitude?

The majority of Puerto Ricans know who.

They understand that this macro economical dis adjustment was a
cumulative legacy of bon vivant rulers - who misused our borrowed money.
Every single dollar owed to our creditors is islandwide - just follow the
money.

Governors between Hernandez Colon and Alejandro Garcia Padilla
borrowed billions of dollars - to sustain their lavish lifestyles, to satisfy the
island's oligarchies, to plug in budget deficits, and to cover government
operational expenses.

A model that took NYC and DC both into bankruptcy.

The people of Puerto Rico knows - that after three decades of corrupción:
private bankers, political leaders, and oligarchs are in urgent need of
rehabilitation. It will be just if all the responsible parties could also face the
federal justice system.

So far their untouchable juridical personality of local leaders is deeply
rooted in a historical entitlement stronghold.

That includes their boricua federal piers as well.

In order to repay the debt, they need to return everything they took for
themselves.

Otherwise, our so called "natural way" out of this crisis will be a painful
process of decades of unemployment, bankruptcy and starvation.

Your Honor if there is a visible, honest law enforcement initiative at all
levels - that will equally prosecute - financial executives, bipartisan
government officials, and local oligarchs - it will bring justice to our people.

By cleansing this failed leadership, a new one would emerge.

A less corrupt one .

Sincerely,
Carlos Sumpter -



Dear Honorable Judge Swain:

I previously wrote a letter to you in October 2017 outlining my thoughts and feelings about the GO/COFINA matter now pending before your court. I run a very small investment management firm and represent many clients of modest to relatively modest means. In my letter I urged all players to find a compromise to allow Puerto Rico rapid access to debt markets essentially through a grand compromise and shared relative losses. I still hope such a compromise is attainable, but I fear that the ongoing negotiations are essentially between general obligation bondholders ("GO") and Senior COFINA bondholders (Sr.), with subordinate COFINA bondholders ("Subs"), who are without legal representation, being left to bear all the negative costs and outcomes of the compromise, including the costs of the ongoing litigation.

When the COFINA Bonds were presented to investors, extraordinary steps were taken to ensure investors understood and believed the structure to be constitutional and that investors' money was safe, despite the already distressed state of Commonwealth finances. You have ruled already that this matter is one of federal jurisdiction. Although it appears likely that the Puerto Rico Supreme Court would rule that the structure is legal under the Puerto Rican Constitution, this issue truly must be resolved under Federal law, since the U.S. Constitution the field and, therefore, is preemptive. That is, no government entity can pledge assets as private investments and then take them back without just compensation. Secondly no government (or any other) entity can breach the covenants of a contract in these circumstances.

Puerto Rican law and the bond offering statements are simple and clear: the sales tax revenue was pledged as security to protect investors in return for a substantially lower cost of capital. Neither the financial distress nor the recent hurricanes has changed those simple terms. The law is clear that these contracts cannot be canceled, the dedicated revenue stream is enforceable, and the property rights cannot be taken from bondholders without just compensation.

This case, as I'm sure you would agree, is highly unusual. The COFINA bonds and their funding are NOT directly distressed: there is more than enough secured revenue that was pledged to adequately cover the bond payments – and these payments have been customarily made to the custodian at BONY. Thus, as Puerto Rico has attained ever greater cash balances in the general fund while not paying their other bondholders, this has been done while the COFINA mechanism has been intact. *There is no need to raid the secured assets that were validly and legally pledged for the security of the COFINA investors who sacrificed to save for their retirements.*

The assets that were validly pledged are enough to cover all COFINA bonds by a factor of 2, even with the recent economic stressors. Rather, the threat is to the entire structure. Therefore, the outcome is purely binary because there is little to *no distinction between the Senior and First Subordinate* issues. The distress is purely one of legal distress and not of financial distress. To make matters worse, losses sustained by this legal distress were/are clearly avoidable because the legal challenge to the structure is frivolous. The Senior bondholders, who negotiated the deal, have no incentive to protect Junior rights and the GO bondholders eye the Jr assets to cover their unsecured losses. Please carefully consider that the parties who were negotiating the current proposed settlement both stand only to gain at the expense of the only party who has not been represented-and is still not adequately represented- at the beginning table. Any proper first subordinate representative (also representing the largest group of on-island bond holders) should be insisting that there be no distinction in cuts between the first and second lien COFINA bonds because the risk isn't getting paid with today's funds but that the whole structure would

be rolled invalid - which means there should be no loss distinction between between the two debt tranches.

Now the settlement discussions appear to be in the final stretch a couple of Jr COFINA holders have started to negotiate a settlement. However, *they, too, are conflicted parties.*

Oppenheimer owns a large amount of GO, creating for Oppenheimer a conflict as a negotiating party. Anything that is successfully taken back from the cofina structure may go toward paying the unsecured GO HOLDERS.

We contacted the law firm representing Oppenheimer and it has refused to discuss this matter with us (we give the Sr COFINA Coalition credit, for at least talking with us). The large hedge fund with Jr COFINA holdings stands to benefit more from a strong recovery on its Sr lien than negotiating a fair compromise for the Jr tranche – a clear conflict. If they hold 50% in net par of each (they own more Sr than Jr) then an outcome that favors Sr would be better for them as Sr bonds represent less than half of COFINA par outstanding. An easy way to look at it is *if* the Sr and Jr each had 50% of par and each got 50% of revenues in any adjustment they would be treated equally. If Srs are 40% of par and Jrs 60% (roughly accurate) and they split the revenue 50/50 then a firm owning half of each tranche would come out better.

No one, then, is adequately representing the Jr lienholders - an injustice especially since Jr debt disproportionately is held by small private investors, largely on the Island of Puerto Rico, whereas the Sr COFINA holders represent over half the net par outstanding of that tranche and are almost completely off island (even more so for GO bondholders).

Another added “bonus” the senior bondholders are trying to achieve at the expense of the Jr bondholders (in addition to more than par by increasing their interest rates) is to impair the Juniors and redistribute the funds that they can then justify as being a replacement, thus making them completely tax free. As far as I can tell, their rationale is that by pooling the funds and eliminating almost 50% of the pledged funds (all taken from the 2nd lien debt) they can claim the remaining funds were all from funds that are qualified as tax deductible. Pretty slick. Between the increased interest rates and the tax-free nature of those interest payments some of the zero coupon senior holders, I estimate, will get rates of return in excess of more than 100% above their pre-reorganization figures. So not only is the Sr COFINA group not aligned with the Jrs, ironically their interests are absolutely in conflict: the seniors get a windfall payout by impairing the Jr lienholders.

This also has the added benefit of appealing to the other largest litigants in this matter, the monoline (bond) insurers who only insure largely long-term Sr zero coupon bonds. Such an exchange offer would likely see virtually all their insured risk come off their books overnight – not only without a penny of losses, but with massive gains on the insured bonds they repurchased from panicked individual investors. Most of these bonds were judicially impaired after the COFINA Sr holders argued to Bank of New York (“BONY”) a default event had taken place and that BONY should not pay Jrs and should accelerate Srs. That led BONY to ask the Court to allow them to withhold payments – which directly led to the proposed distressed settlement agreement that unfairly benefits Sr COFINA and monoline insurers. I don’t think this is coincidence.

The current distress did not stem from a natural disaster. It is easy to feel sympathy for the victims of a major disaster and compensate accordingly, but no hurricane caused this controversy. A hurricane

cannot rewrite a constitutional mandate that has existed for nearly 230 years. Our forefathers presciently foresaw this exact issue and determine its outcome long before Puerto Rico suffered any recent natural disaster.

The cause of this controversy is systemic. The Puerto Rican Government failed to provide accurate financial accounting and actively misled the public (and did so for decades - the true cause of its financial distress).

Now, because the constitutionally protected interest payments and principal are being withheld (placing the unproven and tenuous “rights” of unsecured lienholders over the rights of *secured* lienholders), investors surviving on limited income are forced to sell at losses to cover medical expenses and even the loss of a home. Correcting the problems, injustices, and bad luck of one group of people by impairing others is not a way to impart justice. This situation cannot be corrected by disenfranchising all the small investors on and off the island who hold the secured debt.

But the situation is even more dire for those who hold junior COFINA bonds. The senior bondholders negotiated a “solution” that not only doesn’t impair their superior assets but, as the GO holders complained, actually may give the senior bondholders a windfall return of *more* than par. I confronted the attorneys representing the senior COFINA bondholders with this fact immediately after the recent settlement outline was announced. What the GO holders failed to mention was those same proposed settlement terms gave the GO holders similar increased returns (the same as the Sr COFINA investors) relative to the announced headline numbers.

Counsel for the senior coalition confided to me that no one was representing junior bondholder interests during the settlement talks, which is abundantly clear by the outcome. Further, under the same proposed settlement, the general obligation bondholders would also receive more than par value. So, both senior COFINA and general obligation bondholders will benefit at the expense of the junior COFINA bondholders.

The agreement the GO and Senior COFINA bondholders agreed to in principle is also not in accordance with the Federal Law that allowed and set the rules for bankruptcy restructuring, PROMESA. Most notably the settlement proposed does not respect the existing liens before the bankruptcy proceedings went into effect as it effectively grants the unsecured bondholders the Jr holders’ pledged assets. The revised agreement takes away the majority of the pledged assets from the Jr holders and gives them back to the state. The Commonwealth is obliged by contract and their own laws to defend and uphold the COFINA structure; PROMESA reaffirms the Commonwealth must uphold those vows. It should be noted that the GO holders are still trying to negotiate to acquire (or more accurately, “gifted”) the Jr COFINA bondholders pledged assets to placate the large institutional holders of GO bonds while not damaging the large institutional holders who own Sr COFINA. Meanwhile, the less sophisticated majority of small investors absorb a disproportionate burden and are the primary losers and furthermore must foot the bill for these billion dollar plus funds to carve up the more pedestrian public’s pie. This type of capital cronyism cannot be allowed to prevail in our court system,

EAM, my clients and I are of very modest size and we detest waste. We do not want to lawyer up and add to the massive legal costs. This is especially so since, by awarding legal fees out of the COFINA fund while allowing the senior bondholders to receive 100% of their investment, the actual costs are

being borne only by the junior bondholders. This is the real-world result of a negotiation by counsel representing only the senior bondholders' interests.

If this case continues then it is clearly fair to approve funds for proper and separate representation for the subordinate bondholders who have thus far not been represented and yet are set to bear all the adjustment and legal fees for the parties involved. This is not justice. This is not what is best for the island and regular Joe investors. It is what is good for an elite few at the expense of justice for the majority.

While I firmly believe that the legal basis for the COFINA structure is clear, I would welcome a settlement in which all parties share in the relative losses. I will say, though, that despite my eagerness to participate in a fair compromise that would benefit my fellow Americans in Puerto Rico, I believe the time has come to put this matter to rest so all stakeholders can move forward – including the municipal bond markets which, as a whole, shall likely come to rely more and more on securitized debt as a second chance to right runaway expenses (just like individuals and corporations do each and every day in their respective financing/debt markets). The recent disasters in Puerto Rico have put political pressure on Puerto Rican leaders to deny payment of valid, secured liens. But you do not have to bend to political pressure. You are bound by the rule of law, and only the rule of law. And your decisions will impact not just the people of Puerto Rico today, but also every other distressed municipality into the future. Often the best course of action isn't the easiest one for the immediate situation. That is why these decisions are thankfully left in the hands of judge and not politicians.

Even though I would prefer a negotiated settlement I do believe the right legal decision is to honor the valid, secured lien of COFINA bondholders. I believe it will most rapidly (that is, immediately) get Puerto Rico access to credit markets and on its way toward recovery. One factor I have not heard mentioned by either party is that most COFINA bonds are *callable* and the moment the COFINA structure is upheld it is likely these bonds could be seen at much lower interest rates – and that will lead to greater recovery for all participants, including GO and the Commonwealth, itself.

The time has come to move on and heal. It is time for the majority of COFINA secured subordinate bondholders (about 6 billion dollars according to GO arguments) to be released to provide a boost to the Puerto Rican economy while providing the commonwealth immediate access to additional inexpensive financing as Congress mandated by PROMESSA.

Finally it should be noted the current solution is in the interest of NO ONE, except for the cofina senior holders. If the bonds were simply affirmed then seniors wouldn't get a windfall and Juniors would get paid their rightful amount. But this would also be better for Puerto Rico because by AFFIRMING the debt structure it would bit prevent PR from accessing the cofina structure for future, and even immediate financing. In fact over half the par outstanding of the cofina structure is immediately or almost immediately CALLABLE. If the structure is upheld then most the bonds could be refinanced immediately at half the current interest rates providing more saving to the commonality than unpairing the structure. Additionally with refinancing additional first and second lien bonds could be issued at those lower interest rates that would provide a huge boost to the economic recover and even to recoveries on other classes of bonds.

The cofina senior group is a sophisticated and very large group of multi-billion dollar hedge funds, as are the GO/unsecured debtors group. It is quite telling the scheme the two of them hatched was to carve

up secured revenues from the subordinate holders rather than the GOs continuing their independent fight or the COFINA senior group giving up so much as a dime - quite the contrary they only negotiated a windfall I'm shocked hasn't been highlighted to the court until now.

I do not live on the island, but I feel a connection to the island, so much so that I have begun the process of moving to the island to increase my role in helping the economy recover. The cloud placed on what I believe are constitutionally protected assets has proven immensely costly to me and those I serve. My company has a mere, approximately, \$30 million under management AFTER the recent increase in COFINA bond prices. This attack on the COFINA structure damaged my business, my clients' savings, and my personal investments.

In fact, I have many clients and friends on and off the island who have been harmed during this assault on a valid, secured lien and constitutionally protected pledge of assets. I have had one client who during this time had a massive heart attack. He is wondering where the money is coming to pay for his monthly care – and he had less than 2 years left as of the end of 2017 as most his remaining funds are in COFINA. Neither he nor I are diversified, but it is my job to allocate funds to the place that will give the best return. I warned my clients about housing market crises and other excesses; Puerto Rico is another case example in excess spending and being too hopeful and “kicking the can down the road”. Certainly, all was done under the laws of both Puerto Rico and the United States. But the result has favored the desperate calls of *true* junk bond investors over that of the law of our great country. I still believe this country is the best place to work and live – and it is because we can count on rule of law, even when there exists political pressure to do otherwise.

I don't think it is right to continue to hold our assets from our ownership and continue to cause financial hardship when ultimately the matter becomes an issue of US Constitutional Law, which supersedes all other law. It is this strong body of law that allows efficient working capital markets. Imagine, for a minute, if COFINA is overturned. How can I, as an investment manager, know when a bond is truly what is represented if I can't trust the bond attorneys, underwriters, rating agencies, and even the elected legislature and laws to protect my rights in the event things don't go well?

I researched beyond what I believe 99% of other investors, individual and institutional, have put into this matter. I traveled to the island and met with the people who were instrumental in creating and funding this issue, I read almost all the case law and every research report, press release, and PR Govt Development Bank/COFINA/PR Elected and Chief Justice I could get my hands on. I explained this to all of the people who give me the honor of guiding them in investing their very hard-earned and finite resources. And I actually foresaw this precise situation and stated the GO would likely sue where the money was (COFINA) but ultimately lose. I knew this situation would be scary. However, we would have to plug our noses and make it through the rhetoric to endure and not succumb to panic. My income was hurt and, as I make most my money from my own relatively modest investments (and due to my disability) my income has been effectively cut off during this time. But, disabled and in pain, with my house burned and now gone forever(due to my money also being locked into distressed COFINA securities that should be protected by the US Constitution), I must endure and move on – as must everyone else in this matter.

I am honored you chose my letter to read to the court last year. I didn't mention my emotional story because it really wasn't material to your decision- However, I believe by sharing my story now I can

help put any decision into context for the other players. I am not poor nor am I rich. But I work very hard and I made a decision to lend my money to Puerto Rico through COFINA based on the highest laws of the land. If this decision goes against COFINA, how can any individual investor lend his or her money to any government entity if every word can be challenged in court and imperil what is a constitutionally sound and well secured promise to pay? Surely that is the heart of our entire economic success as a country.

Parsing the language of the PR Constitution, which I believe is preempted by the US Constitution, it states (I paraphrase) “the [general obligation/unsecured] debt must be paid from all *available* resources before anything else.” If the term “available” were intended to mean “every” resource I would think it would clearly say that. And if it *did* mean *every* resource as the GO bondholders argue then it would mean the writers of the Puerto Rican Constitution meant for the bondholders to be paid before the roads, public welfare, police, prisons, health, education, disaster recovery, etc. Surely that cannot be the intention of the drafters. The legislature clearly seemed to understand it the way most of us do when they created COFINA (and toll highway bonds and tobacco revenue bonds, and public housing bonds, and university bonds, etc.); that is, the assets which secure those bonds are not an available resource.

A decision which upholds the rights of clearly defined *secured* creditors, with the time and damages and money spent on this litigation, and those costs will then be ultimately born by GO holders, will serve as an example to future GO bondholders to litigate at their *own* peril, for doing so in the face of such clearly defined legal precedent is to waste precious resources that could be better spent helping a struggling commonwealth and its struggling people.

In closing I, once again, urge you to follow the mandates in the U.S. Constitution and rule in favor of COFINA’s constitutionality. Equally important is the equity in treatment of ALL bondholders - GO, Sr, and Sub COFINA bondholders alike. As it stands now, Sub bondholders stand to bear the burden of this ongoing litigation(including so the legal fees of the parties that negotiated to catch up the second liens pledged assets. Fairness dictates that this should not stand. We ask that you keep the Subs in your mind and/or allow the Subs to engage separate counsel to advocate for their interests.

Sincerely Yours,

Mark Elliott, [REDACTED]
[REDACTED]
[REDACTED]